

U.S. Mint

Performance Plans for FY2002 and FY2003

Actual Performance Figures are in **bold**, Final Targets are in plain text, and Proposed Targets are *italicized*.
Targets which were not met are shown in red.

Mission: The mission of the United States Mint is to manufacture the highest quality circulating, numismatic, and bullion coins at the lowest possible cost and to deliver them in a timely manner...to expand our markets through exceptional customer service, product development, and innovative marketing... to sell numismatic and bullion products at a reasonable price and profit, and to provide security over assets entrusted to us.

Budget Activity: Circulating Coinage

Function: This activity funds the manufacture and distribution of circulating coins.

Performance Goal:

Meet Federal Reserve Bank (FRB) circulating coin inventory requirements

| <u>Performance Measure(s):</u> | FY1999 Actual | FY2000 Actual | FY2001 Actual | FY2002 Final Plan | FY2003 Proposed Plan |
|---|--------------------------|--------------------------|--------------------------|------------------------------|---------------------------------|
| View Definition and Validation Frequency of time meeting a minimum, seasonal- adjusted inventory level | | 100% | 100% | 100% | <i>100%</i> |
| View Definition and Validation Federal Reserve Board customer satisfaction survey results | 91% | 83% | 87% | 85% | 85% |

Performance Goal:

By 2005, reduce the controllable cost of circulating coinage by 15% (excluding metal costs).

| <u>Performance Measure(s):</u> | FY1999 Actual | FY2000 Actual | FY2001 Actual | FY2002 Final Plan | FY2003 Proposed Plan |
|--|--------------------------|--------------------------|--------------------------|------------------------------|---------------------------------|
| View Definition and Validation | | | | | |
| Conversion Cost to produce 1000 coin equivalents | \$9.87 | \$7.5 | \$8.33 | \$8.97 | \$9.3 |

Budget Activity: Numismatic and Bullion Coinage

Function: This activity funds the manufacturing, marketing, and distribution of numismatic and bullion coins, medals and other products for sale to collectors and the general public.

Performance Goal:

Deliver 15% profit margin on numismatic products and 2% profit margin on bullion by FY 2000 (excluding circulating commemoratives). (Goal prior to FY 2001: Increase the contribution margin of the numismatic/bullion operation by aggressively pursuing new customers, new market channels and new product lines.)

| | FY1999 Actual | FY2000 Actual | FY2001 Actual | FY2002 Final Plan | FY2003 Proposed Plan |
|---|--------------------------|--------------------------------------|--------------------------|------------------------------|---------------------------------|
| <u>Performance Measure(s):</u> | | | | | |
| View Definition and Validation Numismatic contribution margin for bullion | 1.7% | 1.9% | | 2% | |
| | | View Explanation | | | |
| <hr/> | | | | | |
| View Definition and Validation Numismatic contribution margin for non-bullion | 22% | 32% | | 15% | |
| | | View Explanation | | | |
| <hr/> | | | | | |

Performance Goal:

Maintain a high level of customer satisfaction by meeting customer service standards.

| | FY1999 Actual | FY2000 Actual | FY2001 Actual | FY2002 Final Plan | FY2003 Proposed Plan |
|---|--------------------------|--------------------------|--------------------------|------------------------------|---------------------------------|
| <u>Performance Measure(s):</u> | | | | | |
| View Definition and Validation American Customer Satisfaction Index score of 85% | 86% | 84% | 88% | 85% | 85% |

| | | | | | |
|---|--|-----|----------------------------|-----|-----|
| View Definition and Validation Percentage of commemorative coins shipped within standard | | 87% | 89% View Explanation | 98% | 98% |
|---|--|-----|----------------------------|-----|-----|

| | | | | | |
|--|--|-----|----------------------------|-----|-----|
| View Definition and Validation Percent of recurring coin products shipped within standard | | 90% | 85% View Explanation | 98% | 98% |
|--|--|-----|----------------------------|-----|-----|

Budget Activity: Protection of Assets

Function: This activity provides for the protection of the Government's stock of gold and silver bullion, coins and coinage metals at five different Mint locations. It is funded from the profits of the Public Enterprise Fund.

Performance Goal:

Eliminate losses of Treasury owned bullion reserves.

| <u>Performance Measure(s):</u> | FY1999 Actual | FY2000 Actual | FY2001 Actual | FY2002 Final Plan | FY2003 Proposed Plan |
|---------------------------------------|--------------------------|--------------------------|--------------------------|------------------------------|---------------------------------|
| View Definition and Validation | | | | | |
| Dollar losses of Reserve Value | \$0 | \$0 | \$0 | \$0 | \$0 |

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Performance Measure

Frequency of time meeting a minimum, seasonal-adjusted inventory level

Definition and Validation

This measure is used to evaluate the Mint's ability to meet the minimum inventory levels required by the Federal Reserve Bank (FRB), including inventory levels sufficient to respond rapidly to seasonal changes in levels of economic activity. Data to measure performance is obtained from the Mint and FRB coin inventory reports.

Validation: An analysis of Mint and FRB coin inventory is performed to compute the frequency of the time the Mint meets the minimum inventory levels. Coins are physically counted by the Mint, FRB and armored carriers to ensure validity.

Data Accuracy: Reasonable Accuracy.

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Performance Measure

Federal Reserve Board customer satisfaction survey results

Definition and Validation

This measure is used to indicate the level of customer satisfaction of one of the Mint's most important customers, the Federal Reserve Board. The Federal Reserve's 12 district banks and 25 member banks are surveyed annually to measure their satisfaction with the Mint's product, customer service, and delivery.

Validation: The survey is administered by a third party, within the Mint, that is not associated with the FRB staff, and it includes the entire Federal Reserve District Bank population. The survey results are anonymous and maintained on file at the U.S. Mint. Data Accuracy: Reasonable Accuracy.

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Performance Measure

Conversion Cost to produce 1000 coin equivalents

Definition and Validation

This measure is used to indicate the cost-efficiency of the Mint's circulating coinage production. The coin equivalent methodology assigns a weighting for each denomination based on the resources it takes to make the coin from blank or coin strip. This measure is calculated by multiplying the shipment of coins for each denomination by the equivalency factor resulting with equalized coin production. Total costs to produce coins are then divided by the equalized production to derive the weighted average cost. This coin equivalent methodology negates the effect of changes in product mix.

Verification: This data is validated through a verification of Mint cost and production records and is reviewed by senior Mint management.

Data Accuracy: Reasonable Accuracy.

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Performance Measure

Numismatic contribution margin for bullion

Definition and Validation

Definition: This measure compares the Numismatic contribution margin -- defined here as the excess of sales less all expenses other than G&A -- for bullion, as a percentage of bullion [The Mint uses this measure to evaluate how well programs cover G&A expenses]. For FY 1999, a determination is made both on sales (as stated above) and the percentage of revenue that are "non-G&A" costs (90% is used), based on historical experience, to define the plan.

Validation: Contribution margin is an estimate based on Mint historical experience. Source data for the actual revenue and contribution margin are Mint audited financial statements which ensures verification and the validity of the data. Actual revenue and contribution margins are believed to be accurate. Data Accuracy: Reasonable Accuracy

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Performance Measure

Numismatic contribution margin for non-bullion

Definition and Validation

Definition: This measure compares the Numismatic contribution margin -- defined here as the excess of sales less all expenses other than G&A -- for non-bullion, as a percentage of non-bullion sales [The Mint uses this measure to evaluate

how well programs cover G&A expenses]. For FY 1999, a determination is made both on sales (as stated above) and the percentage of revenue that are "non-G&A" costs (90% is used), based on historical experience, to define the plan.

Validation: Contribution margin is an estimate based on Mint historical experience. Source data for the actual revenue and contribution margin are Mint audited financial statements which ensures verification and the validity of the data. Actual revenue and contribution margins are believed to be accurate. Data Accuracy: Reasonable Accuracy

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Performance Measure

American Customer Satisfaction Index score of 85%

Definition and Validation

Definition: The American Customer Satisfaction Index (ACSI) is an indicator that measures customer satisfaction. The ACSI was developed by the National Quality Research Center at the University of Michigan Business School. It measures seven industry sectors and 34 specific industries. The sectors are defined using one-digit Standard Industrial Classification (SIC) codes. The Mint falls under the SIC 9 code, public administration and government. This is a measure of the U.S. Mint's customer satisfaction rating, performed by a third party, and based on input from our customers.

Verification and Validation: The ACSI is updated and published quarterly with the results appearing on the ACSI web site at <http://acsi.asp.org/>.

Data Accuracy: Reasonable Accuracy.

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Performance Measure

Percentage of commemorative coins shipped within standard

Definition and Validation

Definition: This measure is used to evaluate the timeliness in filling customer orders. The published turnaround time standard is four weeks for commemorative programs. The Mint continues to focus on customer service by accelerating order fulfillment. The Mint does a weekly order fulfillment analysis of coin orders shipped to customers within 2, 3, 4, and 5 weeks. This analysis allows the Mint to determine how often coin orders are shipped within the published turnaround time standards. This result includes orders placed and filled under the old system as well as orders placed and filled with the new eSP system. Orders received in the old system and shipped via eSP are not included due to difficulty in accurately measuring the results for that time period (approximately the month of August, 2001).

Data Accuracy: Reasonable Accuracy

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Performance Measure

Percent of recurring coin products shipped within standard

Definition and Validation

Definition: This measure is used to evaluate the timeliness in filling customer orders. The published turnaround time standard is three weeks for recurring coin products. The Mint continues to focus on customer service by accelerating order fulfillment. The Mint does a weekly order fulfillment analysis of coin orders shipped to customers within 2, 3, 4, and 5 weeks. This analysis allows the Mint to determine how often coin orders are shipped within the published turnaround time standards. This result includes orders placed and filled under the old system as well as orders placed and filled with the new eSP system. Orders received in the old system and shipped via eSP are not included due to the difficulty in accurately measuring the results for that time period (approximately the month of August, 2001).

Data Accuracy: Reasonable Accuracy

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Performance Measure

Dollar losses of Reserve Value

Definition and Validation

Definition: Dollar losses of reserve value compares the market value of annual losses with the market value of the protected monetary assets held by the Mint. The Mint's goal is to provide a level of security commensurate with changing threats to protect Mint human and physical resources and the assets of the United States. A loss has been defined as, "The cumulative actual Government and physical monetary loss that has been: 1) reported, 2) investigated, and 3) verified as unrecoverable". Reserve value is custodial gold and silver reserves and operating gold and silver from inventory as stated in Mint annual

financial statements. The plan is based on historical experience and reflects a low tolerance ratio.

Verification and Validation: Losses and reserve value are taken from the Mint's financial and non-financial records which are reviewed by auditors and Mint senior management. This ensures the data is verifiable and valid.

Data Accuracy: Reasonable Accuracy.

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Performance Measure: Percentage of commemorative coins shipped within standard

Explanation:FY2001

The main reason that this measure was not met was the Buffalo Commemorative coin program's quick sellout. The backorder situation that developed from the Buffalo Coin sell-out made it impossible to meet this measure. The Capitol Visitor Center program experienced start-up production problems resulting in a delay in shipment. The eSP system will address these issues. Order fulfillment time will be reduced via the centralized pick and pack operation. Also, on-line subscription programs will provide the Mint with more information and will lead to better inventory planning and management.

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Performance Measure: Percent of recurring coin products shipped within standard

Explanation:FY2001

The main reason that this measure was not met was the 2000 Silver Proof delay. Legislation was necessary in order to include the Golden Dollar in the year 2000 silver proof set. This requirement resulted in delays early in FY 2001, and caused silver proof set fulfillment within standard to be only 52%. The eSP system will improve performance to this target. Order fulfillment time will be reduced via the centralized pick and pack operation. Also, on-line subscription programs will provide the Mint with more information and will lead to better inventory planning and management.

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Performance Measure: Numismatic contribution margin for bullion

Explanation:FY2000

This goal is measured by taking the bullion profit (before corporate expense allocations are charged) as a percent of the bullion revenues. The Mint did not reach the goal of 2% due to low demand for the bullion products. Since the revenue the Mint receives from the bullion program is basically cost plus a standard markup, the contribution margin as we have defined it here will be lower in times of low demand due to the fixed costs being spread among less revenues. This result has improved approximately 15% from FY 1999

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Performance Measure: Numismatic contribution margin for non-bullion

Explanation:FY2000

This goal is measured by taking the non-bullion profit (before corporate expense allocations are charged) as a percent of the non-bullion revenues. High demand for the 50 States Quarters program's ancillary products such as maps, first-day coin covers, bagged coins; and high profitability of the American Eagle proof programs contributed to this result.

